ATTACHMENT I

Amendment to FRAM 5

FRAM 5-041 III (c)

Waivers. In accordance with section 5.3(E) of the Uniform Code of Conduct, an examiner may request a waiver from investment prohibitions when extenuating circumstances exist. When considering a waiver for a supervision and regulation employee, Reserve Banks should consult with the Board's Division of Banking Supervision and Regulation to determine whether a waiver would be appropriate. Any waiver granted to an examiner under this section should be in writing, consider whether or not the investment would unduly interfere with the examiner's duties, assess the examiner's potential access to confidential supervisory information related to the institution and its affiliates, and take into account the potential appearance of a conflict of interest. A copy of the waiver should be sent to the Board's Division of Banking Supervision and Regulation. The waiver itself should state that the examiner should give prior notice to the Officer in Charge of Supervision before selling the financial interest subject to the waiver.

.**ATTACHMENT II**

Amended Code of Conduct

3.3 Use of Non-public Information for Private Gain

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An employee with access to Class I FOMC information should avoid engaging in any financial transaction the timing of which could create the appearance of acting on inside information concerning Federal Reserve deliberations and actions. In order to avoid even the appearance of acting on confidential information, an employee authorized to have regular and ongoing access to Class I FOMC information should not knowingly:

a) purchase or sell any security (including any interest in the Thrift Plan for Employees of the Federal Reserve System, but not including shares of a money market mutual fund) during the seven calendar day period prior to and the day(s) of a meeting of the Federal Open Market Committee; or

b) hold any security for less than 30 days, other than shares of a money market mutual fund.

This purchase or sale restriction does not apply if the investment decision is made before the seven day period (in the case of rollover, for example). An employee authorized to have regular and ongoing access to Class I FOMC information also should make every effort to ensure that the financial transactions of his or her spouse and dependent children comply with these restrictions. In unusual circumstances, after consultation with the ethics officer, these restrictions may be waived.

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5.2 Statutory Prohibition on Conflicts

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B. General Statutory Prohibition. Notwithstanding the provisions of Section 5.3(B), an employee may not participate personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, the employee or certain related parties listed in Section 5.2(C) have a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter includes making a decision or recommendation, providing advice, or taking part in an investigation.

ATTACHMENT II

Amended Code of Conduct

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5.3 Prohibited Financial Interests

A. *Prohibition of Certain Debt or Equity Interests.* Notwithstanding anything to the contrary in Section 5.2, an employee may not own or control, directly or indirectly, any debt or equity interest in a depository institution or an affiliate of a depository institution. A "depository institution" means a bank, a trust company, or any institution that accepts deposits, including a bank chartered under the laws of a foreign country. In addition, an employee with regular and ongoing access to Class I FOMC information (or an employee in the Markets Group][1] may not own or control, directly or indirectly, any debt or equity interest in a primary government securities dealer or an affiliate of a primary dealer. An employee is regarded as controlling any debt or equity interest held by the employee's spouse or minor child.

B. Exceptions. The following are not prohibited debt or equity interests within the meaning of Section 5.3(A):

(1) an interest in a publicly traded money market mutual fund or other mutual fund (including a fund that is an affiliate of a depository institution or primary dealer of government securities), provided that: (a) the fund does not have a policy of concentrating its investments in the financial services industry; and (b) neither the employee nor the employee's spouse has the ability to exercise control over the financial interests held in the fund;

(2) an interest acquired by the employee's spouse or minor child (other than from the employee):

(i) prior to the marriage; or
(ii) prior to the employee's being employed by the Bank; or
(iii) as compensation or a fringe benefit in connection with his or her employment, or as "qualifying shares" as a condition of service as a director or employee;

(3) a future interest created by someone other than the employee, his or her spouse or child;

(4) an interest of an employee, spouse or minor child as a beneficiary of an estate where the interest has not been distributed by the estate's legal representative;

(5) an interest in a widely held, diversified pension or other retirement fund that is administered by a trustee independent from the employee and the employee's spouse;

[1] The bracketed language will be included only in the Federal Reserve Bank of New York's Code of Conduct.

ATTACHMENT II

Amended Code of Conduct

(6) an interest in a publicly-traded holding company that is not predominately engaged in the banking or thrift business, is not supervised by the System, and does not control a state member bank, a foreign bank with U.S. operations or a federally insured U.S. office, or a "bank" within the meaning of the Bank Holding Company Act; and

(7) for those employees prohibited from owning stock of a primary dealer or its affiliate, an interest in a publicly-traded holding company that owns a primary dealer provided that the holding company is not predominately engaged in the banking , thrift, or securities business.

An employee who is required to file a disclosure statement pursuant to Section 9 must report an interest that the employee or the employees's spouse or minor child holds pursuant to any of the foregoing exceptions. Also, it is important to understand that the ability to retain an otherwise prohibited interest pursuant to one of the exceptions does not constitute a waiver for purposes of the general statutory prohibition on conflicts of interest that is described in Section 5.2.

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D. Divestiture. In addition to any appropriate disciplinary action, an employee who violates this section may be required to divest the prohibited interest. Divestiture also may be required if the ownership or control of an interest. though permissible under this section, would likely disqualify an employee from handling matters to an extent that substantially interferes with the employee's ability to perform his or her job.

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E. Waiver. The Bank's ethics officer. in consultation with the officer with responsibility for the department in which the employee works, may grant a written waiver permitting an employee to own or control a debt or equity interest prohibited by paragraph A of this section if extenuating circumstances exist and if any required disqualification from particular matters due to the financial interest would not unduly interfere with the full performance of the employee's duties. Examples of extenuating circumstances are:

(1) ownership or control of the interest (including a preemptive right or option) was acquired before Federal Reserve employment; or

(2) ownership or control of the interest was acquired through inheritance, gift, stock split, stock dividend, merger acquisition, or other change in corporate structure, or otherwise without specific intent on the part of the employee to acquire the interest.

December 14,1998